

Message Text

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PAGE 01 STATE 120023

43

ORIGIN ARA-17

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C O N F I D E N T I A L STATE 120023

JOINT STATE/ ARMY MESSAGE

E. O. 11652: GDS

TAGS: EFIN, ETRAN, PQ, PN

SUBJECT: GOP TAX CLAIM AGAINST CANAL ZONE BUS SERVICE, INC.

REFERENCES: (A) PANAMA A-40; (B) PANAMA A-84;

(C) PANAMA 2011

1. TRANSMITTED HERewith IS SUGGESTED REPLY TO GOP MINISTRY
FOREIGN RELATIONS NOTE NO. DREU-118/1486 REQUESTING IDENTITY
AND ADDRESS OF LEGAL REPRESENTATIVE OF CANAL ZONE BUS
SERVICE, INC.

BEGIN TEXT

EXCELLENCY:

I HAVE THE HONOR TO REFER TO NOTE NO. DREU-118/1486 OF
APRIL 6, 1973, FROM HIS EXCELLENCY CARLOS OZORES, ACTING
MINISTER OF FOREIGN RELATIONS, REQUESTING MY ASSISTANCE IN
DETERMINING THE IDENTITY AND ADDRESS OF THE LEGAL REPRESENT-
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PAGE 02 STATE 120023

IT IS IMPOSSIBLE TO DENY THAT FISCAL JURISDICTION WHICH INCLUDES, INTER ALIA, THE POWER TO LAY AND TO COLLECT TAXES IS EMCOMPASSED WITHIN THE RANGE OF SOVEREIGN " RIGHTS AND AUTHORITY." THEREFORE, IT IS CLEAR THAT BY THE TERMS OF ARTICLE 3 THE REPUBLIC OF PANAMA MAY NOT EXERCISE OR ATTEMPT TO EXERCISE SUCH JURISDICTION IN THE CANAL ZONE.

ACCORDINGLY, YOUR EXCELLENCY WILL UNDERSTAND THAT MY GOVERNMENT CANNOT RECOGNIZE THE JURISDICTION OF THE GENERAL OFFICE OF TAX REVENUES OF THE REPUBLIC OF PANAMA TO EITHER RENDER OR ENFORCE TAX JUDGMENT NO. 1 OF JANUARY 29, 1973, AGAINST THE COMPANY. MY GOVERNMENT, THEREFORE, RESPECTFULLY REQUESTS YOUR EXCELLENCY' S COOPERATION IN ARRANGING THE DISCONTINUANCE OF ANY FURTHER PROCEEDING AGAINST THE COMPANY IN THIS MATTER.

ACCEPT, ETC.
END TEXT

2. DEPARTMENT AGREES WITH EMBASSY ASSESSMENT THAT GOP, BY APPOINTING COUNSEL IN ABSENTIA FOR THE COMPANY, MIGHT HOPE TO " LEGALIZE" TAX CLAIM FOR LATER USE DURING SALE NEGOTIATIONS. WHILE APPEARANCE OF COMPANY' S LEGAL REPRESENTATIVE AT PROCEEDINGS PROBABLY WOULD NOT PREVENT SUCH AN OUTCOME, DEPARTMENT BELIEVES IT WOULD STRENGTHEN COMPANY' S POSITION SOMEWHAT IN THAT AT LEAST COMPANY CAN MAKE RECORD IT CONTESTED TAX JUDGMENT ON GROUNDS THAT GOP TAX JURISDICTION IS NOT RECOGNIZED UNDER 1903 TREATY, POINT WHICH NOT LIKELY TO BE MADE BY GOP- APPOINTED COUNSEL.

3. SUGGESTED LANGUAGE FOR NOTE INFLUENCED BY ABOVE CONSIDERATION. IF IN CONSULTATION WITH COMPANY AND CANAL
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PAGE 04 STATE 120023

ZONE GOVERNMENT EMBASSY PERCEIVES OBJECTION TO APPEARANCE BY COMPANY' S LEGAL REPRESENTATIVE, LAST SENTENCE PARAGRAPH TWO OF DRAFT NOTE CAN BE AMENDED TO READ " I HAVE BEEN INFORMED BY THE COMPANY THAT, FOR THE FOREGOING REASONS, ITS LEGAL REPRESENTATIVE HAS BEEN INSTRUCTED NOT TO APPEAR IN THE TAX PROCEEDINGS INITIATED BY THE GOVERNMENT OF PANAMA." ROGERS

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NNNNMAFVVZCZ

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